DOCUMENT RESUME

ED 083 364 CE 000 237

AUTHOR	Buse, R. C.; Willett, G. S.
TITLE	Incorporated Wisconsin Firms with Agricultural Incomes: A Descriptive Analysis.
INSTITUTION	Wisconsin Univ., Madison. Coll. of Agricultural and Life Sciences.
REPORT NO	R-2431
PUB DATE	Jan 73
NOTE	32p.; Conducted as a joint project between the Economic Research Service (DOA) and the Wisconsin Agricultural Experiment Station, Madison
AVAILABLE FROM	Hard copy available from Agriculture Bulletin Building, 1535 Observatory Drive, Madison, Wisconsin 53706 ($0.35)
EDRS PRICE	MF-$0.65 HC Not Available from EDRS.
DESCRIPTORS	*Agricultural Production; *Agricultural Research Projects; Agriculture; Data Analysis; *Farm Management; *State Surveys; Statistical Studies; Tables (Data)
IDENTIFIERS	*Incorporated Farms; Wisconsin

ABSTRACT

The study was initiated to learn more about incorporated farms in Wisconsin. Specific objective included: listing all corporations in the state with agriculture incomes, acquiring basic structural data in these units, analyzing differences between various types of corporation farms when classified according to nature of ownership, and determining whether there is a large incursion of firms in the form of corporations with characteristics conceptually harmfulto agriculture. On the basis of 90.6o questionnaire response, it was concluded that corporate farm structure in Wisconsin is widely diversified and difficult to characterize or generalize. Variations in size, number of products produced, ownership, and dependence upon agriculture as primary or sole source of income demonstrated the range in differences. There was no evidence that non-agriculturally oriented firms, newly incorporated large firms, or foreign-based operations are making large inroads in Wisconsin agriculture through 1968. (Supportive statistical tables are provided.) (AG)

ED 083364

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research report

Incorporated Wisconsin Firms With Agricultural Incomes: A Descriptive Analysis

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SUMMARY

In response to increased interest and concern over incorporated farms in Wisconsin, a study was initiated to learn more about these operations. Specific objectives included compiling a list of all corporations in the state with agricultural incomes and acquisition of basic structural data on these units. Information was also obtained for analysis of differences between various types of corporation farms when classified according to the nature of ownership. In addition, data was obtained on the hypothesis that there is a large incursion of firms into Wisconsin agriculture in the form of corporations with characteristics conceptually harmful to agriculture. A mailed questionnaire was used to obtain the needed information.

A total of 558 Wisconsin corporations were identified as having agricultural incomes in 1968. These operations represented about .5 percent of all farms in the state for that year. They accounted for approximately 2.5 percent of the state's crop acres and 4.3 percent of its farm workers.

The corporations were small and large when measured by several alternative standards. However, their average size was several times greater than that for all Wisconsin farms.

Production of food or fiber was either the only or the major business activity for 74.7 percent of the corporations. The corporate farm contribution to total state production was significant in the cases of cranberries, potatoes and vegetables, ranging from about 58 percent for cranberries to slightly over 30 percent for potatoes and vegetables. About .4 percent of the state's most important commodity, milk, was produced on incorporated farms.

Just over three-fourths (76.6 percent) of the corporations surveyed were owned by fewer than six individuals. Families owned the controlling interest in the common stock on 67.7 percent of the 558 corporations. Another 25 percent were controlled by a group of unrelated individuals. Nine corporations had publicly traded stock. Other firms held the controlling interest in 23 corporation farms.

Approximately 70 percent of the family-controlled corporations obtained more than half of their managers from among the controlling shareholders. This proportion fell to 15.1 percent for the group of corporations controlled by unrelated individuals. Over half the labor force came from among the controlling shareholders on 39.2 percent and 21.6 percent of the family and unrelated individual-controlled corporations, respectively.

The 32 firms whose stock was either publicly traded or owned primarily by other firms had a lower dependency on agriculture than the family or unrelated individual-controlled corporations. These firms' agricultural activities were largely in vegetable and poultry enterprises. They tended to be larger in terms of gross farm income and acreage utilized than the other two groups. Only slight differences in size and types of business activities were found between the family and unrelated individual-controlled corporations.

Just under 23 percent of the farms were incorporated prior to 1950 and over half (57.2) became corporations after 1960. The rate of incorporation increased noticeably in the early 1960's, but has remained largely unchanged since then.

The influx of corporations from outside of the state was estimated by tabulating the number of units that reported business activities in a state other than Wisconsin. About one-fourth of the corporations surveyed fell in this group. There was evidence that the growth rate of this type of corporation is slowing down.

The data indicates that the large corporations currently operating in the state have grown under the corporate ownership rather than incorporating after a large volume of business was obtained. Also, small corporations have represented an increasing proportion of total incorporations in more recent years.

The rate of incorporation of family-controlled units has slowed down somewhat since 1965 vis-à-vis the remaining corporations. A growing proportion of total incorporations are represented by the unit controlled by a group of unrelated individuals. No marked change in this respect was apparent for the conglomerate-type corporations.

No evidence indicates that firms which incorporated more recently have a lower dependency upon agriculture. Over 80 percent of the farms incorporating since 1960 reported food and fiber as their only or primary source of income in 1968. This figure was 68.7 percent for the 1955-59 period and 57.4 percent for the years prior to 1955.

In conclusion, the corporate farm structure in Wisconsin is widely diversified and difficult to characterize or generalize. Some are large and complex, some are specializing in one product, and others are widely diversified; some are family owned and operated corporate farms and some owned by other firms or groups of unrelated individuals; some depend primarily or solely upon agriculture for their income, and for others farming activities are secondary in importance. Few farms are owned by vertically or horizontally integrating firms. Clearly, those who claim that there is a large influx of non-agriculturally oriented firms, newly incorporated large farms, or of foreign-based operations will find no support in the data available for Wisconsin through 1968.

INCORPORATED WISCONSIN FIRMS WITH AGRICULTURAL INCOMES: A DESCRIPTIVE ANALYSIS

R. C. Buse and G. S. Willett**

INTRODUCTION

Incorporation, sole proprietorship and partnership are the basic options available to farmers for formalizing business ownership. Although incorporated farms are not new to agriculture the vast majority of farm businesses in the United States and in Wisconsin are sole proprietorships and partnerships. A *sole proprietorship* is a firm owned and managed by one person. It accounts for the largest number of farm businesses. A *partnership* combines the resources of two or more individuals into a common business venture. Both types have no special legal status or requirements. In some cases they may even be informal or unwritten agreements among the participants involved.

In contrast, a *corporation* is a special "artificial entity" created under special laws in each state. As an artificial entity, it is separate and distinct from its owners. It can be thought of as an artificial person able to engage in business under its own name, sue or be sued and continuing to exist even after the death of some of its owners. The first two organizational forms end with the death of the individual owner or one partner. Major features of the corporation are continuous life and limitation of legal liability of each individual to his investment in the organization.[1]

Table 1 shows that, in Wisconsin, 88 percent of the farm firms are single proprietorships and less than 1 percent are incorporated. The table does not reveal that recently awareness and interest in operating a farm business under the corporate form of business organization has grown.

TABLE 1

DISTRIBUTION OF WISCONSIN FARMS* BY TYPE OF BUSINESS ORGANIZATION, 1969.

Type	Number	Percent
Single Proprietorship	67,096	87.6
Partnerships	8,964	11.7
Incorporated	569	.7
	76,629	100.0

*Farms with annual sales of $2,500 or more.
SOURCE: Preliminarily reports of the 1969 Census of Agriculture.

This increased interest is probably due to greater awareness by farm owners of the advantages associated with incorporation. As the competitive farm business grows in size and complexity, it continuously adopts new methods, procedures, and equipment. The influx of new capital, intensive technology, coupled with the economic incentive for continuous expansion, has raised capital requirements to all-time highs. This increased need for capital, plus the larger capital base of an economic unit, places great emphasis on capital acquisition, its effective management, and intergeneration transfer. The corporate form of business organization offers certain advantages in this area of the farm business.

Corporation farming has also aroused the interests of farmers and farm leaders for a quite different set of reasons. They see the emergence of the corporate farm as an attempt by non-agricultural or agribusiness investors to control agricultural production activities and therefore, consolidate and gain market power. This development, it is argued, would cause higher food prices. Critics of corporation farms feel that the influx of outside capital and ownership into agricultural production threatens the existence of the family farm via unfair competition. They argue that the larger capital base of these "conglomerates" integrating vertically into agriculture permits them to absorb losses on their agricultural activities with little or no strain on the remainder of the business.

*The research was conducted as a Joint project between the ERS, USDA and the Wisconsin Agricultural Experiment Station, Madison. The Authors are very appreciative of the help and suggestions of Professors Sydney Staniforth, Richard Wiegle and Eugene Wilkening in the conceptualization and implementation phases of this project. We are especially appreciative of the careful and competent labors of Larry Hamm. His meticulous efforts and dedication were responsible for the success of the sampling and survey phases of the project.

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[1]A more complete discussion of the advantages and disadvantages of farm corporations is presented in *The Farm Corporation*, North Central Regional Extension Publication No. 11, Iowa State University, September, 1970.

Thus, a corporation with an agricultural subsidiary can survive indefinitely at prices below production costs as long as the parent organization is willing to subsidize it. In contrast, its competitors, i.e., the smaller, family-owned and operated farms, cannot remain in operation. Others use the term corporation farm to describe the investor seeking to reduce his taxes by using economic losses derived from agricultural production to offset income from non-agricultural activities. In fact, with corporate farming income tax advantages from tax-loss are usually lost. This tendency to confuse the corporate *type* of business organization with certain business activities, such as an undesirable degree of "bigness" or vertical integration by agricultural processing firms or non-agricultural conglomerates, is unfortunate. The type of firm organization has no implication on the activities it will pursue.

Little data exists on the characteristics and activities of farm corporations in Wisconsin. The first attempt to obtain empirical information about "corporate farms" was developed by the United States Department of Agriculture in 1967, in a nationwide survey. This survey was designed to identify the number, kinds, and general characteristics of corporation farms. Information was collected on a county level with the assistance of local ASCS personnel.[2]

While the USDA survey was an important first step, additional information on corporate farming is necessary. The USDA survey did not provide detailed information on specific aspects of the structure and scale of agricultural corporations. Much of this information can only be obtained by personal interview. This was beyond their purposes.

To obtain additional information, University of Wisconsin–Madison departments of Agricultural Economics and Rural Sociology embarked on a two-stage study of incorporated Wisconsin farms. The first stage was designed to secure a broad range of descriptive characteristics for the population of Wisconsin farm corporations. The second stage is intended to gather information on the underlying reasons for incorporation, the economic efficiency of corporate farms vis-a-vis noncorporate farms, and the possible role of farm corporations in the economic and social development of rural communities. This publication reports the results of the first phase of this research effort by the Department of Agricultural Economics.[3]

METHODOLOGY

In the first stage, a mailed questionnaire was used to obtain information that could be utilized (a) to provide some descriptive statistics of incorporated farms in Wisconsin and (b) as a basis for sampling in later stages of the project. The goal of the later stages is to secure detailed information on the organizations, their operation and their influence on the community in which they exist. On the basis of examination of the records of various state and federal agencies, a master list of 880 incorporated enterprises with agricultural income in 1968 was assembled. The master list was considered a very liberal estimate of the number of incorporated firms with agricultural income. It included any corporation which, from the information available, may have derived some of its 1968 income from the production or sale of agricultural products or from the ownership of agricultural land.

A mailed questionnaire was selected as the most appropriate method of collecting the required data. A small budget plus time pressure made a mail survey the most practical method–provided its overall response rate was high. Since the study was designed to characterize the population of Wisconsin corporation farms, a response rate as close to 100 percent as possible was required. To encourage a high response rate, considerable effort was directed toward offsetting obstacles commonly contributing to low rates of response in mailed questionnaires.[4]

The measures used to increase the response rate were quite successful. Of 880 firms contacted, only 83 (9.4 percent) were classified as nonrespondents. A distribution of the 880 original corporations according to their responses is shown in Table 2. Among the 880 incorporated firms, 558 or 63.4 percent reported actually receiving income from the sale of agricultural products in 1968. Another 102 firms had either dissolved, merged, or gone out of business. A total of 102 corporations were active but

[2]The results of this survey are available in the two following ERS, USDA publications: (1) *Corporations Having Agricultural Operations, A Preliminary Report*, Agricultural Economic Report No. 142, August, 1968, Washington, D.C., and (2) *Corporations Having Agricultural Operations, Preliminary Report II*, Agricultural Economic Report No. 156, April, 1969, Washington, D.C.

[3]For a description of the socioeconomic characteristics of owners, operators, managers and workers on incorporated firms with agricultural incomes see: E. A. Wilkening and Richard D. Rodefeld, *Wisconsin Incorporated Farms II: Characteristics of Resident Owners, Hired Managers and Hired Workers* (Mimeo), Department of Rural Sociology, University of Wisconsin, Madison, Wisconsin, December 1971.

[4]For a detailed discussion of the survey procedures see: Rueben C. Buse, *Motivating Potential Respondents* (R2409) Department of Agricultural Economics, University of Wisconsin, Madison, Wisconsin, 1972.

TABLE 2

DISTRIBUTION OF 880 WISCONSIN CORPORATIONS ACCORDING TO THEIR RESPONSE TO A MAILED QUESTIONNAIRE, 1970

Type of Response	Number	Percent
Responded: Classified as Agricultural Corporation*	558	63.4
Responded: Classified as Non-Agricultural Corporations**	137	15.6
Responded: Dissolved, Merged or Out of Business	102	11.6
No Response	83	9.4
TOTAL	880	100.0

*The respondents were classified as agricultural corporations if they recorded income from the production and/or sale of agricultural products.

**Includes 24 real estate agencies with some income from land rental and 11 recreational organizations.

did not have incomes from the production of food or fiber. The remaining 35 firms were either real estate agencies renting out small amounts of land or derived their income from the use of land for recreational purposes.

The data that serves as the basis for this study is that derived from the questionnaire of the 558 incorporated firms listing the production and/or sale of agricultural products as a source of income. In this study a farming corporation is defined as any corporation deriving income in Wisconsin from the production and/or sale of agricultural products. It may or may not have other business interests. Although the descriptive term, "incorporated firms with agricultural income," is more accurate, hereafter these firms are referred to simply as "corporation farms" or "incorporated farm firms."

AN OVERALL VIEW OF WISCONSIN CORPORATION FARMS

In this section the basic structural characteristics of the responding corporation farms are described. For perspective, the section discusses the importance of the incorporated farm enterprise in Wisconsin's agriculture by size and the proportion of major agricultural commodities produced or sold. The results of this comparison show two distinct sizes of corporation farms exist: small and large.

The remaining sections describe the corporate farm, including resources employed (land, labor and capital), and the gross income these resources generate. Since corporation farms also engage in non-agricultural activities, a section describing the types of business activities of these corporations is also included. The final subject of this section is the type of ownership patterns the responding firms utilize in their organization.

Relative Size and Importance of Corporation Farms in Wisconsin

Comparing size of corporation farms in Wisconsin will provide a better perspective for interpreting later data. Table 3 shows the 558 corporation farms operating in the state in 1968 comprise approximately one-half of one percent of the state's total farm numbers. These corporations utilized 2.5 percent of the state's crop acres and 2.3 percent of its total farm acres. Approximately 4.3 percent of the workers engaged in agricultural production were employed on, or associated with, incorporated farms.

The importance of the production of selected agricultural commodities from Wisconsin's corporation farms relative to the total state's production is also presented in the table. The contribution is substantial in the cases of cranberries, potatoes, canning crops and fresh vegetables. Approximately 58 percent of the state's cranberry acreage was produced by incorporated firms. The corporate share of the total acreage for both potatoes and canning crops and fresh vegetables was between 31 and 32 percent. A significant share of fed cattle, pelts (primarily mink), laying hens, broilers, and eggs is also produced on incorporated farms. The corporate share of these commodities ranges from just under 8 percent to just over 15 percent (Table 3). There is a strong likelihood that a large proportion of the state's turkey and duck production also occurs on incorporated farms. However, no state statistics are available for ducks and turkeys and hence no basis of comparison is possible. The corporate share of total state production is relatively minor for the remaining commodities. Milk production, the state's major agricultural output accounting for approximately 55 percent of the total gross revenue from sales of agricultural products, is minor (.44 percent) on incorporated farms.

The last section of the table shows that the average Wisconsin corporate farm is substantially larger than that for all farms. The average Wisconsin farm includes 23 acres of corn while its incorporated counterpart includes 96 acres. The same relationship holds for most other agricultural products.

TABLE 3

NUMBER OF FARMS; TOTAL AND AVERAGE ACREAGE AND NUMBER OF WORKERS' ACRES AND NUMBERS OF SPECIFIC AGRICULTURAL COMMODITIES FOR CORPORATE AND ALL FARMS, WISCONSIN, 1968.

Item	Units	All Wisconsin Farms[1]	Corporate Farms	Percent: Corporate of All Farms
Size Variables				
Farms	Number	116,000	558	.5
Workers[2]	Number	241,000	10,336	4.3
Total Crop Acres	Acres	12,043,300	300,224	2.5
Acres Operated	Acres	20,800,000	479,678	2.3
Crops Harvested				
Corn	Acres	2,670,000	53,524	2.0
Soybeans	Acres	161,000	3,752	2.3
Other Grains	Acres	138,000	7,115	5.2
Potatoes	Acres	54,000	17,191	31.8
Canning Crops and Vegetables	Acres	345,500	107,876	31.2
Cranberries	Acres	5,200	3,015	58.0
Livestock Products				
Cattle Fed	Number	202,000	30,533	15.1
Beef Cows	Number	208,000	5,631	2.7
Dairy Cows	Number	1,887,000	11,212	.6
Milk Sold	CWT	182,100,000	797,766	.4
Hogs Marketed	Number	3,281,000	33,967	1.0
Sows Farrowed	Number	448,000	2,183	.5
Broilers Marketed	Number	14,885,000	1,478,990	9.9
Laying Hens	Number	5,609,000	842,630	15.0
Other Poultry[3]	Number	N.A.	4,593,015	--
Eggs Sold	Dozen	104,833,000	8,291,445	7.9
Pelts	Number	1,749,000[4]	266,798	15.3
Averages Per Farm				
Crop Acres	Acres	104	538	
Acres Operated	Acres	179.3	859.6	
Workers[2]	Number	2.1	18.5	
Corn	Acres	23.0	95.9	
Dairy Cows	Number	23.3	20.1	

[1]Wisconsin Department of Agriculture, *1969 Wisconsin Agricultural Statistics*, Wisconsin Statistical Reporting Service, Madison, Wisconsin.

[2]Includes family, full-time and part-time employees.

[3]Includes ducks, geese and turkeys.

[4]1969 Production.

These figures indicate that the aggregate corporate farms in Wisconsin do not play a disproportionate role in farm numbers or land and labor resources utilized. However, the average corporate farm tends to be several times larger and utilizes approximately five times more land resources than average. Also, the average corporation farm employs approximately nine times the number of workers as the average Wisconsin farm. This is almost twice as much labor per acre operated, suggesting the average corporate farm enterprise is more labor intensive than the unincorporated farm. This is most likely due to the large number of seasonal workers employed by a number of incorporated canning crop operations.

Resources Employed

1. Land. There is a rather marked difference in the size distribution, in total acres operated between all Wisconsin farms and the corporate farms (Figure 1). The biggest difference occurs in the over 500 acre category: 2.5 percent of all Wisconsin farms compared to 43.9 percent of the corporate farms. Proportionately more incorporated farms (13.3 percent) fall in the under 50 acre category than do all farms

(8.6 percent), while the intervals between 50 and 499 acres contain proportionately fewer incorporated farms. A definite bimodal distribution of incorporated farms exists in total acres operated per farm. A large number of farms (115) are smaller than 100 acres and a large number (245) more than 500 acres.

FIGURE 1

DISTRIBUTION OF INCORPORATED WISCONSIN FARMS BY TOTAL ACRES OPERATED AS COMPARED TO ALL WISCONSIN FARMS, 1968.

Total Acres Operated	Incorporated Farms		Percent all Wisconsin Farms[1]
	Number of Farms	Percent of Farms	
Under 50	74	13.3	8.6
50-99	41	7.3	19.9
100-199	55	9.9	40.4
200-499	143	25.6	28.6
500+	245	43.9	2.5
Total	558	100.0	100.0

[1]Source for all farms: *1968 Wisconsin Assessor Farm Statistics*, Wisconsin Statistical Reporting Service, Division of Information, Madison, Wisconsin, pp. 4-5.

FIGURE 1

DISTRIBUTION OF INCORPORATED WISCONSIN FARMS BY TOTAL ACRES OPERATED AS COMPARED TO ALL WISCONSIN FARMS, 1968.

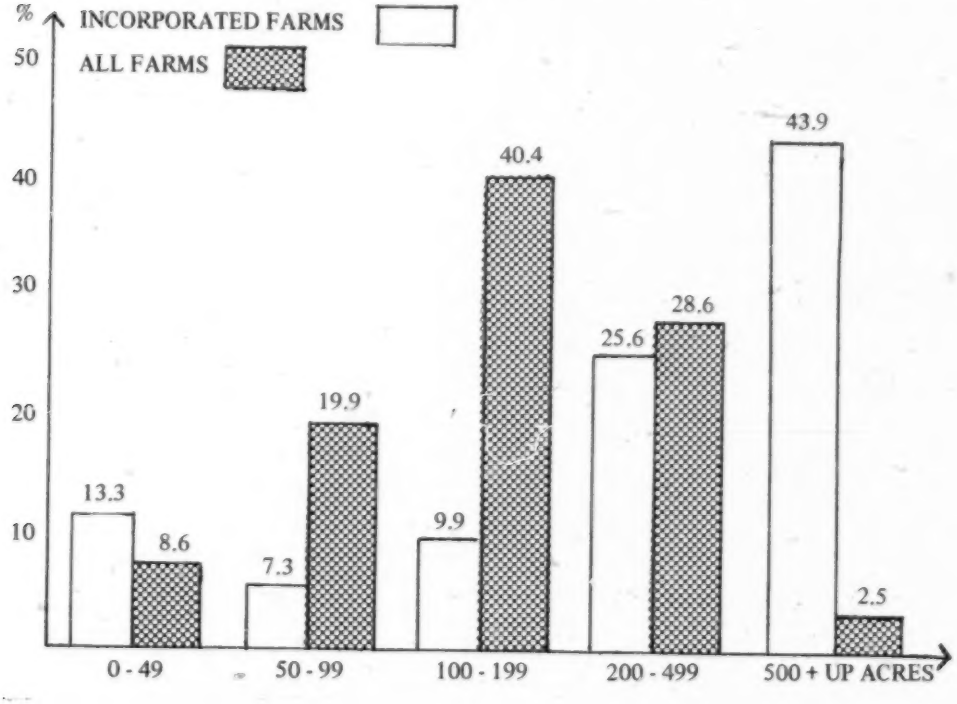

Table 4 illustrates the differences among these farms in how they acquire and/or utilize land they owned or operated. The table illustrates that the corporate farm is not necessarily large nor does it own or operate all of the land resources it has at its disposal. The small farm corporations generally rent out most of the land they own. The average small farm corporation, appearing in the 0-49 acres operated group, owned 78 acres. It rented out 75 acres to others, rented in 7 acres and operated an average of 11 acres. In contrast, the large farm, defined as operating 500 or more acres, owned 1,059 acres and rented in another 674 acres, operating a total of 1,716 acres. Generally, these large corporations rented very little land to others. The larger farms were also more intensively utilized devoting 63 percent of the land to crops, in contrast to only 27 percent of the land operated by the small farm corporations. This reflects a difference in type and purpose of operation.

Generally the average level of labor input increases as the number of acres operated increases (Table 5). However, the lower section of the table shows considerable variation in the utilization of labor and management resources among the farms. For example, on the small farms the range in number of employees was from 0-20 full time and 0-40 part time. In contrast, the largest farms employed from 0-65 full-time and 0-500 part-time people and 0-39 managers. Although a group of farms utilizes substantial amounts of labor, they cannot be characterized simply as large or small in terms of acres operated. On the other hand, a group of rather large incorporated farm enterprises employs very little full- or part-time labor, reflected by the range of zero to 500 or more acres operated.

Table 6 more clearly illustrates this variation in the level of human resource utilization. For example, over two-fifths (41.8 percent) of the corporate

TABLE 4

DISTRIBUTION OF 558 WISCONSIN CORPORATIONS WITH AGRICULTURAL INCOME ACCORDING TO FARM SIZE AND UTILIZATION OF THE LAND RESOURCE, 1968.

Characteristic	Number of Acres Operated			
	0-49	50-499	500 or more	All Farms
Number of Farms	74	239	245	558
*Average**				
Acres Owned	78.3	210.6	1,058.7	565.4
Acres Rented in	6.9	42.5	674.1	315.1
Acres Rented out	74.6	8.7	16.6	20.6
TOTAL Acres Operated	10.6	244.4	1,716.2	859.6
Crop Acres Farmed	2.9	145.4	1,078.6	536.2
Percent:				
Crop Acres/TOTAL Acres	27%	60%	63%	62%
Rented Acres/TOTAL Operated	–	29%	62%	59%

*Acreages are for Wisconsin farming operations only.

2. Human Resources–Labor and Management. The human resources associated with corporate farms, either full-time or part-time laborers or farm managers, are reported in Table 5. The study tabulated 10,050 people providing labor or management inputs on the farms surveyed. Included were 1,472 full-time workers, 7,838 part-time workers and 740 persons performing managerial functions. There was an average of slightly over 2.6 full-time and just under 14 part-time workers employed per farm. An average of about one and one-third managers were utilized per farm.

farms hired no full-time workers. Also, just under 30 percent hired no seasonal or part-time labor. In both groups the farms were distributed across all size groups, i.e., as many farms over 500 acres with no managers or part-time workers as small and medium ones. Although the number of hired workers reported per farm was as high as 88 full-time employees and 500 seasonal workers, only 7.6 percent of the farms reported hiring more than 10 or more full-time workers and 17.9 percent, 20 or more seasonal laborers. Over one-half of the farms (56.1 percent) utilized only one manager and almost three-fourths (71.7 percent) re-

TABLE 5

TOTAL RANGE AND AVERAGE NUMBER OF FULL- AND PART-TIME EMPLOYEES AND MANAGERS ON 558 INCORPORATED AGRICULTURAL ENTERPRISES IN WISCONSIN IN 1968.

Employee Type	Number of Acres Operated				
	0-49	50-499	500 or more	All Farms	
	Employees per Farm			Average	Total
Averages					
Managers	.85	1.24	1.56	1.33	740
Full-Time Workers	1.51	2.19	3.42	2.64	1,472
Part-Time Workers	3.47	8.75	22.41	14.05	7,838
					10,050
	Total Employees Per Farm				
Range					
Managers	0-3	0-8	0-39	0-39	
Full-Time Workers	0-20	0-88	0-65	0-88	
Part-Time Workers	0-40	0-400	0-500	0-500	

ported either one or two managers (in the usual case this would be a man and his wife or son). Another 16.8 percent reported no managers. Many farms were either being rented or leased out and thus were not actual operating units. Another group were part-time operations employing labor only part of the year.

In summary, as with the land resource, corporation farms are not necessarily large when measured in terms of the amount of labor or management employed. There are both large and small corporation farms.

TABLE 6

DISTRIBUTION OF INCORPORATED FARMS BY NUMBER OF MANAGERS AND TYPE AND NUMBER OF WORKERS EMPLOYED IN WISCONSIN, 1968.

Type of Labor	Total Number on Farm*						TOTAL
	0	1-2	3-9	10-19	20 or more *	Unknown	
	Percent of Farms						
Manager	16.8	71.7	7.3	0	.2	2.0	100
Full Time	41.8	30.1	20.4	5.0	1.6	1.1	100
Part Time	29.2	19.0	21.5	10.9	17.9	1.4	100

*Wisconsin farming operations only.

3. Capital and Net Worth. The third type of resource utilized by any firm is capital. In the corporate firm it is the value of the assets owned and operated by the corporation including land, buildings, machinery and equipment, plus the working capital required to operate the firm from day to day. Because the mailed questionnaire is unsatisfactory for obtaining information on such a complicated aspect of the firm's activities, a study of this aspect was deferred until the second stage of this study.

The corporation's total asset less its liabilities, plus retained earnings, is the corporation's net worth. The net worth is owned by the shareholders in proportion to the number of shares. The study describes the type, number and distribution of the shareholders in these corporations in the ownership section.

Source and Size of Gross Income

Another measure of size is the gross value of products sold. First, however, we will describe the income sources for the 558 corporation farms included in the survey.

Each corporation was asked to indicate the major source of that firm's gross income. A breakdown of the responses by size of firm is presented in Table 7. Responses reveal the sale of agricultural products is the sole income source of over two-thirds of all incorporated farms. Another 8.6 percent derived their income primarily from agriculture. Thus, the majority of the incorporated farms (416 firms or 74.7 percent) are engaged principally in the production of food and fiber (the first two categories of Table 7).

Approximately one-eighth of all the corporations (70 corporations or 12.6 percent) indicated that their *major* business activity was not agriculturally related. These firms are probably the ones often cited as examples of the entry into agriculture of non-agriculturally oriented business organizations. Within these 70 firms, seven farms were primarily engaged in real estate and involved very little agricultural business. Many of the remaining are fur farms, nurseries, tree farms, and hunting and fishing preserves. The number of bona fide incorporated conglomerate-owned farm firms in Wisconsin agriculture that appear in this category is less than 20.

The last two categories of firms, those with agri-business activities and the 20 conglomerates in the non-agricultural category, together comprise 15 percent of all corporations with agricultural income in the state.

Table 7 shows that, regardless of the acreage operated by the corporation, a substantial majority

TABLE 7

DISTRIBUTION OF 558 WISCONSIN INCORPORATED FARMS ACCORDING TO MAJOR SOURCE OF INCOME SIZE OF FARM.

Major Source of Income	Acres Operated Per Farm			
	0-49	50-499	500 and over	All Farms
	Percent of Farms			
Agriculture Only	55.4	67.8	67.8	66.1
Primarily Agriculture	4.1	7.1	11.4	8.6
Primarily Agri-business	16.2	10.0	11.0	11.3
Non-Agricultural	23.0	13.8	8.1	12.6
Source Unknown	1.3	1.3	1.6	1.4
TOTAL	100.0	100.0	100.0	100.0
Number of Farms	74	239	245	558

are either exclusively or primarily agriculturally orientated enterprises. Close examination reveals proportionately more (23 percent) smaller operations are non-agriculturally orientated as to major income source than are those operating 500 or more acres of land (8 percent). In fact, a larger proportion of the corporations operating over 500 acres derive their income *solely* from the production and sale of agricultural products than of those operating less than 50 acres.

The distribution of farms by gross value of farm products sold and total sales (agriculture and non-agricultural) is reported in Table 8. This table also illustrates the diversity in farm corporations in the state. On the one hand, 16.7 percent of the farms reported selling less than $10,000 of farm products. In contrast, approximately 17.2 percent sold more than $200,000 worth of farm commodities. The distribution of farms is skewed more towards the lower gross income categories when returns from all activities are considered (Table 8). The number of farms with less than $10,000 in total sales increased by 7.1 percent and the number of farms reporting sales of more than $200,000 decreased 3.2 percent when returns from all sources are considered.[5] Whereas 42.9 percent of the farms reported sales from farm products of less than $50,000, 45.1 percent fell into this category when all activities are included.

If non-agricultural activities were widespread and profitable, farms would tend to move out of low gross farm sales categories into higher categories. This type of shift cannot be observed in Table 8. Thus, these figures reflect the relative unimportance of non-agricultural activities for *most* of the farm corporations.

The above conclusion is further substantiated by an analysis of the business activities of those firms reporting gross incomes of more than $200,000 in 1968. Among the 78 corporations reporting more than $200,000 gross income from all sources, 37 (47.4 percent) were engaged exclusively in the production of food and fiber and an additional seven farms indicated agriculture was their primary business activity. There were 13 corporations in this income class whose primary activity was the buying and processing of canned or fresh vegetables. Another 14 corporations were classified as "other" which included such business activities as recreation, sod farms, nurseries, and rentals. Only 7 firms with $200,000 or more of sales had a primary activity of either agri-business or was strictly non-agricultural. Approximately one-half of these firms operated more than 500 acres and one-half less than 500 acres.

[5]For a corporation to fall to a lower sales category when considering all business activities, as opposed to strictly agricultural sales, non-agricultural activities must show negative gross returns. Negative gross returns were reported for tax purposes by a number of farms as losses either from disposal of capital assets or from the costs of goods sold (beginning inventory plus merchandise purchased for manufacturing and resale plus salaries and wages plus cost of manufacturing minus ending inventory) exceeding gross receipts.

TABLE 8

DISTRIBUTION OF 558 WISCONSIN INCORPORATED FIRMS ACCORDING TO GROSS VALUE OF FARM PRODUCTS AND OF ALL PRODUCTS SOLD IN 1968.

	Farm Products		All Products	
Gross Value	Number of Farms	Percent of Farms	Number of Farms	Percent of Farms
Less than $10,000	93	16.7	133	23.8
$10,000-$39,999	107	19.2	120	21.5
$40,000-$99,999	143	25.6	129	23.1
$100,000-$199,999	97	17.4	75	13.5
$200,000-$499,999	67	12.0	49	8.8
$500,000-$1,000,000	16	2.9	9	1.6
More than $1,000,000	13	2.3	20	3.6
Unknown	22	3.9	23	4.1
TOTAL	558	100.0	558	100.0

Type and Size of Agricultural Enterprises

The types of agricultural activities reported by the incorporated farms are indicated in Table 9. Many farms were involved in multiple commodity areas so the number of enterprises listed in Table 9 are not mutually exclusive. The most frequently reported activity was corn production, followed by hay and oats. Over 36 percent of the corporations reported growing each of these three crops. Canning crops were produced by 21.5 percent of the firms. Cattle feeding and dairy (milk production) were the most common livestock activities. Commodity areas in which the least number of corporations were involved included poultry (broilers, eggs, turkeys and ducks), fruit, soybeans, and vegetables other than for canning. Six percent or less of the surveyed corporations were active in each of these commodity areas.

A comparison of the quantity of product reported (acres for crops and numbers in the case of livestock) provides a good indicator of the relative sizes of the various agricultural enterprises. Generally those farms reporting canning crops tended to be the largest, averaging 1,073 acres of canning crops per farm, followed by potato farms with an average of 331 acres of that crop. Comparing columns 3 and 4 of the table measures the degree of specialization of corporation farms reporting particular activities. The larger the percentage of total crop acres devoted to a particular crop, the more highly specialized that type of farm. For example, if the farms reporting corn acreage averaged 200 acres of corn per farm and 200 total crop acres, they are 100 percent specialized in corn production. On the other hand, if these same corn farmers averaged over 1,000 acres of cropland they could not be considered highly specialized in corn production since only 20 percent of their cropland was in corn and 80 percent in other crops. Utilizing the above criteria, the crop farms reporting canning crops are the most highly specialized, devoting over two-thirds of their total crop acres to canning crops. The second highly specialized group of incorporated farms are those reporting production of corn, potatoes and fruit, with each group devoting approximately one-third of their total crop acres to that activity.

In livestock and livestock products, Table 9 shows two facts. First, the poultry farms (reporting laying hens or producing eggs, broilers, ducks and turkeys) are very large and highly specialized operations, averaging over 150,000 birds or almost 40,000 laying hens. Secondly, the other livestock activities are also relatively large compared to the average Wisconsin farm. The incorporated farms averaged 100 beef cows, 60 sows, 540 hogs marketed and over 100 dairy cows. In contrast the average Wisconsin farm reported 27 dairy cows.

The last column of the table indicates the gross farm income of farms reporting production of each type of commodity. It confirms that the canning crop, fruit, vegetable and poultry farms are the largest, averaging over $200,000 to $400,000 of gross farm income in 1968. On the other extreme, cranberries and fur farms had less than $90,000 gross income. The remaining incorporated farms reported between $100,000 and $200,000. The average gross receipts of all Wisconsin farms in 1968 was $13,000.[6]

Table 10 contains the distribution of farms according to the number of units reported. These distributions illustrate the sizes of incorporated farms reporting particular crop or livestock activities more clearly than the simple averages of Table 9. Twenty-nine farms reported growing more than 1,000 acres of

[6]Wisconsin Statistical Reporting Service, *1971 Wisconsin Agricultural Statistics*, Madison, Wisconsin, Aug. 1971, pp. 3-4.

TABLE 9

NUMBER AND CHARACTERISTICS OF 558 INCORPORATED FARMS REPORTING VARIOUS AGRICULTURAL ACTIVITIES IN WISCONSIN IN 1968.

Activity	UNITS*	Farms Reporting		Quantity Reported	Crop Acres Operated	Gross Farm Income**
		Number	Percent	Average per Farm		
Crops						
Corn	A	220	39	243	631	$187,600
Hay	A	193	35	126	530	157,500
Oats	A	172	31	84	558	138,400
Canning Crops	A	97	17	1,073	1,660	447,600
Cranberries	A	54	10	56	847	78,200
Potatoes	A	52	9	331	970	186,500
Other Grains[1]	A	37	7	192	935	122,700
Soybeans	A	33	6	114	969	118,100
Fruit	A	24	4	106	302	390,400
Other Vegetables	A	23	4	165	595	$210,300
Livestock and Livestock Products						
Cattle Feeding	N	105	19	291	628	$141,700
Milk Cows	N	101	18	111	481	66,400
Market Hogs Sold	N	63	11	539	444	125,700
Beef Cows	N	56	10	101	586	111,300
Pelts	N	38	7	7,021	156	89,000
Sows Farrowed	N	36	6	61	482	172,000
Other Poultry[2]	N	30	5	153,100	245	207,500
Laying Hens	N	22	4	38,302	258	252,200
Broilers	N	9	2	164,333	301	429,700
Eggs	D	24	4	345,470	233	227,700
Milk Sold	C	95	17	8,398	474	$ 66,400

*A = acres harvested
N = Number raised or sold
D = Dozens produced
C = CWT sold

[1] Primarily wheat and barley
[2] Ducks and turkeys

**Excludes 6 large corporations which did not report gross farm income as a separate item. These corporations together generate more than $200 million in gross income from *all* sources.

a given type of crop and all but three of these were either corn or canning crop enterprises. The concentration of production on small acreages (less than 100 acres) per farm is greatest for oats, soybeans, and cranberries.

A substantial number of farms with livestock activities were of a modest scale (Table 10). Corporations with cattle and hog feeding enterprises reported the largest scale enterprises. About 32 percent of the corporations feeding out cattle marketed over 200 head in 1968. Over 500 head of market hogs were sold from 31.2 percent of the farms raising hogs. The average herd size for the 101 corporations with milk cows was 111 head, considerably larger than the 1968 state average of about 26 cows. However, just under three-fourths of the dairy operations had fewer than 100 cows, indicating few very large operations.

The size distribution of the few farms reporting poultry enterprises is reported in Table 11. As described earlier, they tend to be large, highly specialized operations.

TABLE 10

DISTRIBUTION OF 558 WISCONSIN INCORPORATED FARMS ACCORDING TO TYPE AND SIZE OF AGRICULTURAL ACTIVITY REPORTED IN 1968.

Activity	Farms Reporting (Number)	Number of Units Reported			
		1-99	100-499	500 or more	TOTAL
		Percent of Farms by Number of Acres			
Crops					
Corn	220	40	47	13	100
Hay	193	52	46	2	100
Oats	172	75	24	1	100
Canning Crops	97	36	32	32	100
Cranberries	54	91	9	--	100
Potatoes	52	14	71	15	100
Other Grains[1]	37	57	35	8	100
Soybeans	33	73	24	3	100
Fruit	24	71	25	4	100
Other Vegetables	23	44	44	12	100
		Percent of Farms by Number of Animals			
Livestock					
Cattle Fed	105	53	32	15	100
Milk Cows	101	73	26	1	100
Market Hogs Sold	63	20	48	32	100
Beef Cows	56	71	27	2	100
Sows Farrowed	36	75	25	--	100

[1]Primarily wheat and barley.

TABLE 11

DISTRIBUTION OF 558 INCORPORATED FARMS BY TYPE AND SIZE OF POULTRY ENTERPRISE REPORTED IN 1968.

Enterprise	Farms Reporting (Number)	Number of Birds Reported			
		1-999	1,000-99,999	100,000 +	TOTAL
		Percent of Farms			
Broilers	9	--	55	45	100
Laying Hens	22	36	50	14	100
Other Poultry[1]	30	7	63	30	100

[1]Turkeys and ducks.

Ownership Characteristics

Information was also obtained on the nature of the ownership of corporation farms. Survey respondents were asked about the type and number of shareholders in the corporation and the characteristics of the controlling party.

Potentially, ownership of corporate stock may reside with either individuals or other firms. The distribution of the survey farms according to the type of shareholder holding a controlling interest in the common stock is reported in Table 12. The majority shareholders were classified as: (1) single individual, (2) related individuals[7], (3) unrelated individuals, and (4) other firms or the stock was publicly traded.[8] The number of individuals and firms owning stock for each of these classifications is summarized in Table 13.

[7]Related by blood or marriage.

[8]No attempt was made to determine the characteristics of the shareholders for corporations whose stock was publicly traded.

TABLE 12

DISTRIBUTION OF 558 INCORPORATED WISCONSIN FARMS ACCORDING TO NUMBERS AND TYPE OF STOCKHOLDERS REPORTED IN 1968.

Type of Controlling Shareholder	Farms Reporting		Number of Individuals Owning Stock					Number of Firms Owning Stock			
	Number	Percent	0	1	2-10	11 or more	Unknown	0	1	2	Unknown
			Number of Farms					Number of Farms			
One Individual	81	14.5	--	56	24	1	--	78	2	1	--
Related Individuals	297	53.2	--	4	278	15	--	294	2	1	--
Unrelated Individuals	139	24.9	--	--	128	11	--	133	2	2	2
Other Firms	32	5.8	28	2	2	--	--	9[1]	22	1	--
Unknown	9	1.6	2	1	1	--	5	1	3	--	5
TOTAL	558	100.0	30	63	433	27	5	515	31	5	7

[1]Stock in these firms is publicly traded.

One individual owned the controlling interest for 81 (14.5 percent) of the corporations (Table 12). The total number of shareholders in each corporation for this group of farms is quite small. All but four corporations reported less than six natural shareholders. Other firms owned stock in only three of these cases. In each case it was a minority interest.

As indicated in Table 12, on one-half the farms (297 farms), a controlling portion of the common stock was held by a group of related individuals. The total number of individuals owning stock in this group of farms also tends to be small, as 235 (79 percent) corporations had less than six shareholders. Only 15 farms had more than 10 natural owners. Three corporations reported that another firm owned a minority of the common stock.

A group of unrelated individuals owned over 50 percent of the common stock for about one-fourth of the corporate farms (139 or 24.9 percent of all reporting farms). With the exception of 11 farms, ownership resided in fewer than 11 natural shareholders. One hundred fifteen farms (83 percent) in this ownership group had less than six persons owning stock and firms owned a minority interest in four farms.

Other firms owned the controlling interest in 23 corporate farms. In all but one of these, the majority interest was owned by one firm. An additional nine corporations reported that their stock was publicly traded. A total of 32 corporations, or 5.8 percent of the 558 farms surveyed, fell into the other firm or stock publicly traded ownership classification (Table 15).

In summary, the above data indicates that most of the farms are owned by small groups of natural individuals, either related or unrelated. The combination of fewer than 11 natural shareholders and the majority of the stock owned by individuals accounted for 88 percent of the corporations surveyed. In this same group, 76.6 percent of all farms had less than six natural shareholders. There were only 17 corporations (3.0 percent) that reported having more than 15 individuals owning common stock. Assuming ownership of a controlling interest in the common stock by either one or a group of related individuals constitutes family control, most farm corporations in Wisconsin appear to be owned and controlled by families. Table 12 indicates just over two-thirds (67.7 percent) of all Wisconsin corporate farms are family controlled.

Another aspect of interest to many is the characteristics of farms owned and controlled by each type of stockholder. In other words, are the larger farms or those producing particular products or with certain types of income owned and controlled by particular types of stockholders? Table 13 summarizes some of the differences this study has observed. This table gives an overview of the type of corporate farm operated by each of the four types of stockholders. Details are provided in the next section.

The table indicates that the farms controlled by one individual stockholder tend to be smaller in both total acres operated and in crop acres than the other three types. However, the difference between farms of one individual and those of related and unrelated individuals is not significant. Those controlled by other firms are generally the largest corporate farms. Twenty percent of the farms controlled by one natural individual operated less than 50 acres and 34 percent operated 500 or more acres. On the average, farms in this group contained slightly more than 700 crop acres (column 2). The next two groups of farms, those controlled by related individuals, and by un-

related individuals were very similar in size, averaging between 740 and 750 crop acres per farm. In contrast, 65 percent of those corporate farms in which the majority stockholder was another firm, operated 500 or more acres. As a group, these 32 corporate farms averaged over 3,300 crop acres. The same conclusions apply with respect to gross farm income. In summary, this group of firms is about four times larger in acres and produced about ten times more gross income than the other three types of firms.

The major reason for the substantially higher gross income is simply the larger size of these farms. Within the firm controlled group 47 percent of the 32 farms (15 farms) were producing canning crops. This also explains the much larger average number of crop acres since it is the canning firms that usually supplement the production from their own acreage by leasing several thousand additional acres.

The last four columns of Table 13 illustrate one other interesting characteristic. In all categories a majority of the corporations depend upon agriculture for their major source of income. In the first three types, over three-fourths of the farms fall in this category. In the last group, more corporations rely upon activities other than the production of food and fiber for their major source of income. In this group, 37.5 percent of the corporations reported an agri-business activity such as machinery sales and service, feed, seed, or fertilizer sales or the processing of livestock and livestock products as their major income generating activity. An additional 18 percent of the corporations (six firms) reported non-agricultural related activities as their most important source of income. Ten to 15 percent of the first three groups of corporations made the same statement. Furthermore, no relationship existed between the number of natural stockholders and the major source of income of that corporation. In other words, there were proportionally as many corporations controlled by one individual which reported the production of food and fiber as a secondary source of income as there were of those corporations owned and controlled by related and unrelated individuals.

In summary, the data indicates that those corporation farms controlled by other firms are larger and rely more heavily on agri-business and non-agricultural activities for their major source of income than for those controlled by natural shareholders. However, all types do contain a small number of corporations in which the agricultural proportion of its income is secondary. In total, 63 such corporations comprise 11 percent of all corporation farms. Only six of these are controlled by other firms and thus might be said to be evidence of conglomerate activity. The next section will examine this idea in greater detail.

TABLE 13

DISTRIBUTION OF 558 INCORPORATED WISCONSIN FARMS BY TYPE OF CONTROLLING STOCKHOLDERS IN RELATION TO AVERAGE ACRES OPERATED AND MAJOR SOURCE OF INCOME, 1968.

Type of Controlling Shareholder	Number Reporting	Averages/Farm		Acres Operated			Major Source of Income				
		Crop Acres	Gross Farm Income	Less Than 50 Acres	50 to 499 Acres	500 or more Acres	Ag.*	Agr-B.**	Real Estate	Non-Ag.†	Unknown
			In Thousands		Percent						
One Individual	81	729	$ 111	19.8	45.7	34.6	75.3	7.4	--	14.8	2
Related Individuals	297	752	112	11.1	41.8	47.1	75.1	11.1	2.4	10.4	3
Unrelated Individuals	139	739	117	15.1	47.5	37.4	82.0	7.2	--	9.4	2
Firms	32	3,386	1,420	9.4	25.0	65.6	43.8	37.5	--	18.7	--
Unknown	9	1,067	92	11.0	44.5	44.5	56.0	22.0	--	11.0	1
TOTAL	558	898	$ 677	13.3	42.8	43.9	74.7	11.3	1.3	11.3	1.4

*Ag. = Agriculture

**Agr.-B. = Agri-Business

†Non-Ag. = Non-Agricultural

DESCRIPTIVE ANALYSIS OF CORPORATE FARMS BY TYPE OF OWNERSHIP

This section of the report will present and discuss the various structural characteristics associated with different types of corporations. In the previous sections, farm corporations were classified according to the type of ownership reported. These classes determined three basic types of corporate farm ownership: (1) family controlled, (2) controlled by unrelated individuals, and (3) controlled by other firms or stock publicly traded.

Current controversy over corporate farms probably centers around those corporations owned and controlled by other firms or whose stock is publicly traded. The image generated by this type of agricultural organization tends to exemplify the conglomerate, absentee owner-type corporation that many agriculturists envision when the term corporation farm is mentioned. Corporations controlled by unrelated individuals are also commonly viewed with some skepticism, although probably to a lesser extent than those controlled by other firms.

In view of this current interest, information was obtained on the basic ownership and management characteristics of these farm types. Differences in the involvement of controlling shareholders in providing the necessary management and labor are identified. This section will also attempt to determine differences, if any, between the three types of corporations in their economic dependence upon agriculture, in the size of their farm firms as represented by acres operated and gross farm income, and in their reported corporate farming activities to determine if certain corporate types tended to specialize in particular commodities.

Classification of Corporations According to Ownership

The proportion of common stock owned by various types of stockholders was reported by each corporation. Based on this information, the farms were classified into two groups. The first included those in which 51 percent or more of the common stock was owned by individuals and the second those corporations where the controlling interest was either other firms or whose stock was publicly traded. Corporations falling into this latter group were classified as *mixed*, since ownership resided in both individuals and other firms.

The group of corporations controlled by individuals was further subdivided according to whether or not the owners were related by blood or marriage. Where the controlling interest resided with either one individual or a group of related individuals, the farms were defined as a *closed individual* or family corporation. The remaining farms, where the principal shareholders were a group of two or more unrelated individuals, were termed *open individual* corporations.

The corporations are classified in Table 14. Just over two-thirds (67.7 percent) were of the closed individual type (family controlled). This group is simply an aggregation of type 1 and 2 of Tables 12 and 13. Another quarter were controlled by a group of unrelated individuals. Those farm corporations where the principal shareholder was either another firm or whose stock was publicly traded accounted for another 5.7 percent (32 firms) of the farms. For nine corporations (1.7 percent) ownership could not be determined from the information available.

TABLE 14

DISTRIBUTION OF INCORPORATED FARMS BY TYPE AS CLASSIFIED ACCORDING TO NATURE OF THE CONTROLLING SHAREHOLDER, WISCONSIN, 1968.

Corporation		Controlling Shareholder	Number of Farms	Percent
Type	Description			
I.	Closed	Family	378	67.7
II.	Open	Unrelated individuals	139	24.9
III.	Mixed	Other Firms/stock publicly traded	32	5.7
IV.	Unknown	Unknown	9	1.7
	TOTAL		558	100.0

The data in the previous table indicate that, at least in terms of farm numbers, the type of corporation most commonly cited as undesirable currently does not play a major role in either Wisconsin agriculture or the population of incorporated Wisconsin farms.

If types III and IV are considered to be those concerning agricultural leaders, the table indicates that 41 firms or 7.4 percent of Wisconsin incorporated farms fall in this category. If one includes all the type II corporation (open), then about one-third (32.3 percent) of all the farms are not family controlled.

hand, category III corporate farms, comprising 6 percent of all farms, operated 23 percent of the crop acres. As indicated earlier, this group of 32 firms leases substantial acreage for canning crops.

In terms of the gross income generated by all corporate farms the differences are larger. Two-thirds of the type I farms generated less than one-half of the total gross farm income reported (46.1 percent); whereas 6 percent of the type III farms generated over one-third of the total. Thus, within all incorporated farms, the type III farms are quite important. This fact should be viewed in its proper

TABLE 15

NUMBER OF INCORPORATED FARMS, TOTAL ACRES OWNED, TOTAL ACRES OPERATED AND GROSS FARM INCOME BY TYPE OF CORPORATION, 558 WISCONSIN INCORPORATED FARMS, 1968.

TYPE*	Number	Percent of Total	Total Acres Reported		Percent of Total		Gross Farm Income**	
			Owned	Operated	Owned	Operated	Total Dollars	Percent of Total
			Acres				In Thousands	
I.	378	67.7	212,036	270,501	67.2	56.4	39,825	46.1
II.	139	24.9	75,992	99,072	24.1	20.6	15,028	17.4
III.	32	5.7	18,543	101,570	5.9	21.2	31,230	36.2
IV.	9	1.7	8,947	8,536	2.8	1.8	275	.3
TOTAL	558	100.0	315,518	479,679	100.0	100.0	86,358	100.0

*For a definition of each corporation type see Table 14.

**Excludes 6 firms in type III which did not separate their farm income from other income. These firms together reported more than $200 million in gross income from *all* sources in 1968.

In terms of the resources they control, the non-family (open and mixed) are relatively more important. Table 15 shows total acres owned and operated and gross income as reported by the 558 respondents. The acres owned by each type is directly proportional to the number of firms of that type. Thus 67 percent of the respondents are of type I and own 67 percent of the total incorporated acres; 25 percent are of type II and own 24 percent of the total acres; and 6 percent are of type III and own 6 percent of total acres. In other words, no one type of incorporated farm is so much larger than the other so as to own more than their share of all incorporated land.

The equivalent statement is not true for acres operated or for the gross farm income they generate. Closed corporations represent 67 percent of all respondents but they operate only 56 percent of the total acres reported by all types. Thus, they tend to be smaller than the other groups. On the other

perspective by noting that the $86.4 million of gross farm income reported by all 558 farms is an insignificant part of the total agricultural picture in Wisconsin, representing 5.9 percent of the total estimated cash receipts of all Wisconsin farms in 1968.

The above says very little about differences between the corporation types and those specific corporate farms' attributes to which objections are commonly raised, i.e., the separation of management and ownership, the separation between labor and ownership, and difference in type of major business activity, i.e., the importance of agriculture in the corporations' overall income.

The Contribution of Shareholders to Management and Labor by Type of Corporation

A primary objection to farming under the corporate structure is the separation of ownership and

management and possible owner absenteeism. Theoretically, ownership resides with the shareholders and the management function is performed by the Board of Directors who are elected by the shareholders. In practice, however, the shareholders and the Board of Directors (managers) are most often the same persons, since most farm corporations have small numbers of shareholders. However, for those corporations with a larger number of shareholders and with other firms owning stock, the separation between ownership and management can be more pronounced.

To study this relationship, information was obtained on the role that controlling shareholders played in the management of the corporate farms. Each corporation reported the number of managers utilized and classified each manager according to one of the following categories: (1) managers who owned a majority of the common stock, (2) managers who were related to one or more members of the group that owned a majority of the common stock, and (3) managers who did not own a majority of the stock and were not related to those who did. Controlling ownership and management was assumed to be present in the same individual when managers were classified in categories (1) or (2). It represents the more usual situation in agriculture where the parent or parents own the farm but a son or other close relative manages or operates it; or the case where a family with a number of children has split the ownership among its members but one of the stockholders (usually a son or son-in-law) manages it.

Group 3 represents the case where management is separated from ownership. The manager is simply a paid employee hired by the officers of the corporation. Utilizing these three categories, corporations were grouped according to the proportion of managers falling into each of the groups. The results are summarized in Table 16 on the basis of whether shareholders provided more or less than 50 percent of the managers. This measure is, at best, a proxy for the proportion of management provided by various groups of stockholders, since it counts managers rather than the percentage of total management time provided by majority stockholders, relatives of majority stockholders or non-related employees. This was an extremely difficult area to ask about in a mailed questionnaire and many respondents did not complete it properly.

The table indicates 200 respondents failed to classify their manager or managers, and another 73 indicated they did not have a manager. This is obviously an erroneous interpretation of the question[9] since all farms must be managed. The only exception is the frequent cases where the corporations' farm land was leased to another farmer and thus, did not require direct management. One-third of the farms in this group rented out their land to others in contrast to less than 10 percent of the farms in the other categories. Furthermore, those firms renting land were smaller than the rest and rented out twice as many acres as the comparable farm in the other groups. An additional 200 respondents listed one or more managers but failed to classify their relationship to majority stockholders. Any conclusions from Table 16 must be qualified as they are based on 50 percent of the cases.

The 285 corporate farms responding completely are classified according to the type of controlling shareholders and the extent of their role in management in Table 16. Generally, the shareholders are also the main source of management decisions on Wisconsin incorporated farms. For example, among the closed individual group of corporations, almost all (260 out of 263) obtained more than one-half of their managers from among the controlling stockholders. This proportion was the same for the open individual group of corporate farms. No attempt was made to determine the relationship between ownership and management for the mixed corporations, i.e., those farms whose stock was publicly traded or was owned by other firms. Ownership and management would be separate in the case of other-firm-ownership and the probability of a similar separation for the publicly owned farms is also high.

The information presented in Table 16 indicates that in 285 out of 558 farms (51 percent), 98.5 percent of the managers utilized, own either a controlling interest in the corporation or are related to those who do. Generally, those corporations deriving more than 50 percent of the management from the controlling group of stockholders are the typical family type of firm, averaging 3.8 stockholders per farm and one and two-thirds managers. Only 21 of these were not closely held corporations.

Four firms classified their manager as mainly from outside of the group of controlling shareholders. An analysis of the questionnaire tends to show most of the firms employing managers from outside the controlling shareholders are listed in the unclassified group (column 2, Table 16). Here the number of shareholders per farm was substantially higher,

[9]The authors feel that many of the respondents on these smaller firms are really family corporations. They look upon themselves as owners—not managers, and skipped to the next question.

TABLE 16

DISTRIBUTION OF 558 INCORPORATED WISCONSIN FARMS ACCORDING TO TYPE OF MAJORITY SHAREHOLDERS AND TO SOURCE OF MANAGERS.

Controlling Shareholder	No Managers Reported*	Percent of Managers From Shareholders			TOTAL
		Unclassified	Less than 50 Percent	50 Percent or more	
		Number of Farms			
Closed Individual	38	77	3	260	378
Open Individual	29	88	1	21	139
Mixed	0	32	--	--	32
Unknown	6	3	--	--	9
TOTAL	73	200	4	281	558
		Percent of Total			
Closed Individual	6.8	13.8	.5	46.6	67.7
Open Individual	5.2	15.8	.2	3.8	25.0
Mixed	--	5.7	--	--	5.7
Unknown	1.1	.5	--	--	1.6
TOTAL	13.1	35.8	.7	50.4	100.0

*Includes 11 who did not respond.

averaging 6.2 shareholders per firm, primarily because of the open-individual-type firm, in which the stock is more widely distributed. These farms are generally larger in size and more specialized, i.e., many of the large poultry farms and those producing canning crops are in this group.

The group without members are very much like the family farms of column 4. They average 2.1 stockholders per corporation and were the smallest in terms of acres owned and operated. Surprisingly few of the corporations hire farm managers wh were not one of the shareholders or related to them.

The contribution of the principal shareholders to the farm's labor force by type of corporation is shown in Table 17. Twenty-six and one-half percent, (26.5%), of the family controlled corporations reported that over half their labor force (full-time plus part-time workers) was provided by controlling shareholders or their relatives. This proportion fell to 5.4 percent for the corporations controlled by unrelated individuals.

In total, shareholders with a controlling interest provided over one-half of the total labor force for about 32 percent of all corporate farms. This low proportion is not surprising since these farms tend to be relatively large and, therefore, to require outside labor (Table 5), and many raise specialty crops requiring large amounts of seasonal labor. As farms become larger and more specialized, it is likely that the separation between management and labor will become even more distinct. This is clearly seen in the per farm averages of the selected characteristics reported in the lower part of Table 17.

The 178 corporation farms drawing more than 50 percent of the labor from majority stockholders are generally the smaller farms. They operated an average of 499 acres (column 2) versus more than 1,000 acres for the other group (column 1). More of these farms are engaged in dairy, corn, and hog production than in any other enterprise. This is reflected in the larger per farm averages of milk sold, corn acres harvested, and hogs marketed than for equivalent farms in the other groups.

Among the 178 farms a few produced specialty crops such as broilers, ducks and turkeys (other poultry), eggs, canning crops and vegetables. Generally they also are much smaller than the average farm producing these products. For example, within the 178 farms supplying more than 50 percent of the labor, five reported selling an average of 5,600 birds, nine reported selling an average of 19,000 dozens of eggs and 25 firms averaged 116 acres of canning crops. In contrast in the group where shareholders supplied less than 50 percent of the labor, 20 firms averaged sales of 156,000 birds, 13 firms sold over 500,000 dozens of eggs and 54 firms averaged over 600 acres of canning crops.[10]

[10]The averages reported in Table 17 are for all farms in that group (columns 1,2,3). Hence, when the totals for any given group of farms are averaged over all farms the averages are much lower. Nevertheless, if the farms within a group are substantially different, the averages will reveal it. For example, if the total acreage of canning crops reported by the 69 firms reporting canning crops in column 1 of Table 17 (100,821 acres) are averaged over all 331 firms in the group the average is 305 acres per farm. In contrast, when the 2,900 acres reported by the 25 firms reporting canning crops in column 2 is averaged over all 178 firms the result is 16 acres per farm. If the averages are based solely upon those reporting canning crop acreages the corresponding averages are 1,460 and 116 acres respectively.

TABLE 17

DISTRIBUTION OF 558 INCORPORATED FARMS GROUPED BY PROPORTION OF FARM LABOR PROVIDED BY CONTROLLING SHAREHOLDERS AND THEIR RELATIVES ACCORDING TO TYPE OF CONTROLLING SHAREHOLDERS AND SPECIFIC CHARACTERISTICS OF EACH GROUP. WISCONSIN, 1968.

Controlling Shareholder	Percent of Labor Supplied by Shareholders			TOTAL
	Less than 50 percent	50 percent or more	Percent Unknown	
	Percent of Total			
Closed Individual	37.8	26.5	3.4	67.7
Open Individual	15.4	5.4	4.1	24.9
Mixed	5.7	--	--	5.7
Unknown	.4	--	1.3	.4
TOTAL	59.3	31.9	8.8	100.0
	Average per Farm			
Selected Characteristics				
Number reporting	331	178	49	
Shareholders	4.6	3.8	3.6	
Managers	1.5	1.5	.8	
Full-Time Laborers	21.4	6.7	6.7	
Part-Time Laborers	4.5	1.0	.7	
Acres operated	1,077	499	701	
Gross Farm Income*	$227,443	49,272	47,000	
Hogs Marketed	53	72	72	
Broilers Sold	3,360	601	5,306	
Other Poultry Sold	12,960	1,590	408	
Eggs Sold (dozen)	24,768	522	--	
Milk Sold (CWT)	798	2,760	865	
Corn Harvested (acres)	91	97	123	
Potatoes Harvested (acres)	43	14	10	
Canning Crops Harvested (acres)	305	16	7	
Other Vegetables Harvested (acres)	9	3	5	
Fruits Harvested (acres)	7	1	--	
Cranberries Harvested (acres)	6	3	6	

*Excludes 6 large corporations which did not report gross farm income as a separate item. These corporations together generated more than $200 million in gross income from *all* sources.

In the group which reported the distribution of labor as unknown, the two most important activities were canning crops and the production of seed corn. Fifteen of the 49 firms in this group averaged over 4,000 acres of canning crops and another 13 over 400 acres of corn. Another seven firms were very highly specialized in the production of broilers, other poultry, and eggs. Based upon the characteristics reported by these firms, they should fall in the group of firms in which majority stockholders supply less than 50 percent of the labor.

In summary, in a majority (59 percent) of the 558 corporation farms, majority stockholders supplied less than 50 percent of the labor. This is really not too surprising, since corporation farms as a group tend to be larger and more specialized than the average Wisconsin farm. Most farms in which majority stockholders did provide a major share of the labor were general dairy and crop farms or small specialty farms where the shareholders and families could provide the required labor. In contrast, those farms in which less than 50 percent of the labor was supplied by the shareholder were large and/or specialized, producing such products as seed corn, canning crops, vegetables, fruits, cranberries or poultry. As all farms continue to grow in size in response to the general economic condition they face, this trend in the separation of ownership and labor probably will continue.

Type of Corporation and Major Business Activity

Another important dimension of the current interest in corporate farms is the extent of their reliance upon agriculture as a source of income. The hypothesis is often raised that incorporated farms are not controlled by the individuals who operate them and, furthermore, that the owners view agriculture as a secondary enterprise in their overall corporate structure. In previous sections we have demonstrated that Wisconsin corporation farms are primarily owned by a few individuals. They also provide a great deal of the firm's management and a lesser but still significant amount of its total labor. This section will examine the importance of food and fiber production in the corporations' overall business activities.

Each corporation surveyed was asked to indicate their first and second most important business activities. The results are tabulated in Table 18 by type of majority stockholder.

The production of food and fiber was reported as the most important business activity for all three types of corporations. The proportion of corporations citing agriculture as either the only or the primary business activity was 75.2 percent, 82.0 percent, and 43.8 percent for the closed individual, open individual, and mixed corporations, respectively. Differences in the type of major activities reported in the closed and open individual corporations were small. However, the 32 mixed corporations were distributed differently. This group had proportionately more corporations listing their primary business activities as something other than production of food and fiber. Twelve or 37.5 percent of the corporations in this group were primarily engaged in activities classified as agri-business. The agri-business activities included the purchase and or processing of agricultural products; sales of farm machinery, seeds, fertilizer, etc. Another 18.7 percent of the mixed corporations were principally involved in "other" activities, which included recreational farms, nurseries, sod farms, fur farms, frog farms, worm farms, research farms and various rental arrangements.

In general, the group of 63 farms (11.3 percent of the total) whose major activity was classified "other" were very diverse in their interests and activities. They should probably not have been included in the analysis of corporation farms, since each is a unique type of enterprise. Most have very little crop land. A few own substantial acres. The average farm in this category operated 177 crop acres.

TABLE 18

DISTRIBUTION OF 558 INCORPORATED FARMS CLASSIFIED BY TYPE OF CONTROLLING SHAREHOLDER, ACCORDING TO MAJOR BUSINESS ACTIVITY, WISCONSIN, 1968.

Primary Business Activity	Type of Controlling Shareholder				TOTAL
	Closed Individual	Open Individual	Mixed	Unknown	
	Percent of Farms				
Agriculture Only	65.9	75.5	34.4	44.5	66.1
Primarily Agriculture	9.3	6.5	9.4	11.1	8.6
Agri-Business	10.3	7.2	37.5	22.2	11.3
Real Estate	1.8	--	--	--	1.3
Other	11.4	9.4	18.7	11.1	11.3
Unknown	1.3	1.4	--	11.1	1.4
TOTAL PERCENT	100.0	100.0	100.0	100.0	100.0
TOTAL NUMBER	378	139	32	9	558

Type of Corporation and Size

The relationship between corporate farm types and their size of operation is another frequently asked question. The previous information has illustrated by various measures of size that corporate farms in Wisconsin tend to be larger than non-corporate farms. We have also seen that under several different classifications (Tables 4, 5, and 7) certain groups of corporation farms tend to be substantially larger than other groups. In this section we shall examine the question of overall size by comparing the distribution of acreages and gross farm incomes for each type of corporation. In other words, are the mixed type of corporations larger or smaller in terms of acres owned or sales than the closed and open individual ones?

The relationship in terms of number of acres operated is shown in Table 19. As indicated in the table, there were only slight differences between the closed and open individual corporations in terms of acreage operated. The distribution of the closed individual farms tended to be skewed slightly more toward larger acreages than was the open individual corporations. The latter group had proportionately more farms in the smaller acreage categories (less than 100 acres) and fewer farms in the larger size (500 plus acres) than the closed individual group. Both groups had the same number of farms owning 1,000 or more acres.

The differences are greater when the mixed corporations are compared to the two other types of corporate farms. Whereas around 16 percent of the open and closed individual farms owned 1,000 acres or more, 22 percent of the mixed corporate farms fell in this range. While proportionately more of the farms in this latter group were larger, they were few in number. Only seven farms, 1.25 percent of all corporation farms, reported owning more than 1,000 acres.

Those farms owning zero acreages rented land to carry on their agricultural operations. Twenty-one out of the 59 firms produced canning crops, vegetables or potatoes on land rented from others. On the average, they rented slightly more than 1,500 acres. The remaining 38 firms owning zero acres rented an average of 390 acres on which they produced a wide variety of agricultural products.

In contrast, 24 corporation farms owned an average of 283 acres, all of which they rented to others. The lower part of Table 19 shows the distribution of the 558 incorporated farms according to acres operated. In all three categories the shift in the number of farms is toward larger acreages. This shift is most pronounced on those farms owned by other firms (i.e., mixed corporations). Only 22 percent of the corporations owned more than 1,000 acres but more than 55 percent of them operated more than 1,000 acres. As described earlier, the major activities of these firms were seed corn, potatoes, canning crops, vegetables or cranberries.

TABLE 19

558 INCORPORATED FARMS CLASSIFIED BY TYPE OF CONTROLLING SHAREHOLDER AND DISTRIBUTED ACCORDING TO TOTAL ACRES OWNED AND TOTAL ACRES OPERATED.

Type of Controlling Shareholder	0	1-99	100-999	1,000 or more	Unknown	TOTAL
	ACRES OWNED					
	Percent of Total					
Closed Individual	13.0	15.6	54.8	15.6	1.0	100
Open Individual	8.6	15.1	60.5	15.8	0	100
Mixed	12.5	12.5	53.1	21.9	0	100
Unclassified	11.1	22.2	33.3	33.3	0	100
TOTAL	11.8	15.4	55.8	16.3	.7	100
	ACRES OPERATED					
	Percent of Total					
Closed Individual	4.2	16.2	57.4	22.2	--	100
Open Individual	3.6	20.1	56.9	19.4	--	100
Mixed	6.3	3.1	34.4	56.2	--	100
Unclassified	11.1	11.1	44.5	33.3	--	100
TOTAL	4.3	16.3	55.7	23.7	--	100

A similar picture emerges when size is measured in terms of gross farm income. Again there are very minor differences between the closed and open individual-controlled corporations with regard to their percentage distribution among selected gross farm income categories (Table 20). With the exception of those farms selling more than $500,000 worth of agricultural commodities, the distribution of the mixed corporations does not differ markedly from the other corporations. For example, 15.6 percent of the mixed corporations had agricultural sales of less than $10,000 compared to 15.6 percent and 19.4 percent for the open and closed individual-controlled corporations, respectively.

The most striking difference among the three types of corporations is the proportion of farms selling over $500,000 of agricultural products. One-fourth of the mixed corporations fell into this category as compared to 4.3 percent and 4.0 percent for closed and open individual farms, respectively. A total of 29 corporations reported sales in excess of one-half million dollars; 15 of these farms were family controlled, eight were controlled by other firms, and six were owned primarily by unrelated individuals.

In summary, the data indicates that family and unrelated individually controlled farms are similar when compared by acreage operated and gross farm income. Corporations controlled by other firms or whose stock is publicly traded tend to have a greater proportion of farms falling in the larger-size categories.

Type of Corporation and Agricultural Commodities Produced

As stated earlier, there are concentrations of corporate farms in certain types of commodity production. This section examines the relationship between stock ownership and products produced. The agricultural activities reported by survey respondents are tabulated according to type of corporation in Table 21. Farms classified under all three types of corporations produced a wide range of agricultural products. More than 10 percent of the corporations in each of the three groups reported agricultural activities in seven or eight different products or commodities.

Beyond this, however, indications are that the different types of corporations are more heavily involved in certain kinds of agricultural enterprises. The family-controlled group tends to have proportionately more farms producing feed crops (corn, oats, and hay) and livestock (beef cattle, dairy, and hogs) than does the group of corporations controlled by unrelated individuals. This is also true, although to a lesser extent, when the former group is compared to the mixed corporations. Proportionately fewer closed individual farms reported activity in poultry enterprise than was indicated by the other corporation types.

Vegetable production by mixed firms is probably the clearest case of specialization in production by type of corporation. Just under one-half of the corporations in this group were active in this commodity area, more than double the proportion reported for the other two groups. This group of firms also tended to be engaged in some aspect of the poultry industry. Thus the 32 corporation farms controlled by other firms or whose stock is publicly traded are generally more specialized and larger than those farms owned by groups of related or unrelated individuals.

TABLE 20

DISTRIBUTION OF 558 INCORPORATED FARMS ACCORDING TO TYPE OF MAJORITY STOCKHOLDER AND GROSS FARM INCOME, WISCONSIN, 1968.

Gross Farm Income	MAJORITY STOCKHOLDER				TOTAL
	Open Individual	Closed Individual	Mixed	Unclassified	
	Percent of Total				
Unclassified	3.4	5.0	3.1	11.1	3.9
Less than $10,000	15.6	19.4	15.6	22.2	16.7
$10,000 to $39,999	20.1	20.9	3.1	11.1	19.2
$40,000 to $99,999	27.5	23.1	18.8	11.1	25.6
$100,000 to $199,999	17.8	15.8	18.8	22.2	17.4
$200,000 to $499,999	11.6	11.5	15.6	22.2	12.0
$500,000 or More	4.0	4.3	25.0	--	5.2
TOTAL	100.0	100.0	100.0	100.0	100.0

TABLE 21

DISTRIBUTION OF 558 INCORPORATED FARMS BY TYPE OF CONTROLLING SHAREHOLDER AND AGRICULTURAL COMMODITIES PRODUCED, WISCONSIN, 1968.

Agricultural Commodity	TYPE OF CONTROLLING SHAREHOLDER			
	Closed Individual	Open Individual	Mixed	Unclassified
	Percent of Total Farms in Group			
Corn	43.3	30.2	40.6	33.3
Oats	33.9	25.6	28.1	11.1
Hay	36.0	30.9	37.5	22.2
Potatoes	9.8	8.6	6.2	11.1
Vegetables	19.8	20.1	46.9	22.2
Cranberries	9.5	12.2	--	11.1
Cattle Feeding	19.3	17.3	18.8	22.2
Beef Cows	10.3	7.2	15.6	22.2
Dairy Cows	20.4	15.8	6.2	11.1
Market Hogs	12.7	9.4	9.4	--
Sows	6.9	6.5	6.2	--
Broilers	1.1	2.9	3.1	--
Laying Hens	3.4	4.3	6.2	--
Other Poultry	4.2	7.2	12.5	--
Pelts	7.7	6.5	--	--
TOTAL Number of Farms[1]	378	139	32	9

[1]Since most corporations reported producing more than one agricultural commodity, the total is not equal to that obtained by summing across commodities.

THE DYNAMICS OF FARM INCORPORATION

Perhaps one of the most heated aspects of the current corporation farm controversy is the charge that non-agricultural firms and organizations are moving into agriculture. This issue has many dimensions, some of which were alluded to earlier. The basic concern is that non-farm corporations are buying land and initiating farming operations as new dimensions in their overall activities. The feeling exists that this is a detriment to the rest of agriculture. To examine this argument our data provide information on such critical issues as the rate of incorporation over time, the extent that non-Wisconsin-based corporations are operating in this state, the rate at which farms of various sizes have been incorporating, the year of incorporation of different types of corporate farms as classified by nature of controlling shareholder, and the rate of incorporation of different kinds of firms when classified according to primary business activity.

The Rate of Farm Incorporation Over Time

The corporate threat could be and has been interpreted as a large influx of recently incorporated farms. Since the year of incorporation for each of the farms surveyed was obtained, it is possible to investigate the rate of incorporation over time.

As reported in Table 22, 22.6 percent of the firms with agricultural activities were incorporated before 1950. Between 1950 and 1964, the tempo of incorporation increased by varying degrees for each five-year interval considered. Over half (57.2 percent) of the farms in the study were incorporated since 1960. The number of farms choosing to incorporate increased noticeably during the early 1960's. Passage of subchapters of the Internal Revenue Code in 1958 probably contributed to this increase.

If one looks at the average number of firms incorporating each year, an increase in the tempo of incorporation occurred in the most recent years. From 1960 to 1964, an average of 32 agricultural corporations organized each year. Between 1965 and 1968 the number incorporated was greater than 45 in every year except 1968, yielding a per year average of 40. The 1968 figure may be low because of the incompleteness of the data, i.e., not all incorporated farms were in the official records from which the survey list was drawn in 1969.

One can further observe the entrance of established firms into agricultural production by comparing the year the firm incorporated with the year in which they first began producing agricultural products. Such a comparison indicates that in only 45 out of the 558 corporations were the two dates different by more than one year. Most corporations were engaged in producing agricultural products from the beginning of their existence as a corporation.

TABLE 22

DISTRIBUTION OF INCORPORATED FARMS ACCORDING TO YEAR OF INCORPORATION, WISCONSIN, 1968.

Year Incorporated	Number of Farms	Percent of Farms	
		Per Period	Cumulative
Before 1925	49	8.8	8.8
1925-1949	77	13.8	22.6
1950-1954	35	6.2	28.8
1955-1959	78	14.0	42.8
1960-1964	160	28.7	71.5
1965-1968	159	28.5	100.0
TOTAL	558	100.0	

The Incidence of Non-Wisconsin-Based Corporations in Wisconsin Agriculture

Another important aspect of the entry issue is the extent to which firms from outside the state are undertaking agricultural activities in Wisconsin. To analyze this question, survey respondents were asked to indicate the number of states in which they engaged in either agricultural or non-agricultural business activities during 1968. Those corporations that reported operating in a state other than Wisconsin were termed "foreign operations." Corporations reporting business activities only in Wisconsin were considered domestic firms.[11]

This classification procedure was used for two reasons. First, little information was available to develop a more refined measure of domestic versus foreign corporations. Secondly, this measure presents as unfavorable a picture as possible by classifying any firm with interests outside the state as foreign. It includes both those corporations coming into the state as well as those incorporated within Wisconsin and then expanding their operations beyond the state's boundaries. Thus, an incorporated farm with land in both Illinois and Wisconsin or a Wisconsin farmer who buys some additional land in Minnesota would be classified as foreign.

The number of corporations classified as foreign and domestic and the year in which they incorporated is reported in Table 23. Under the classification described above, about one-fourth of the corporate farms in the state are foreign operations. The majority of the corporations (72.0 percent) operate entirely within Wisconsin and 3.1 percent did not provide sufficient information to be classified. There is evidence in the table that the rate of growth of foreign firms is slowing down as compared to the domestic corporations. A lower proportion of firms incorporated during the 1965-68 period were foreign operations than in any of the earlier periods.

Another aspect of the corporate farm firm is the type of business activity in which the firm is engaged. One might argue that even though the farms are incorporated and operate solely within the state of Wisconsin, they may be owned and controlled by firms or individuals whose major interests are not related to agriculture. In other words, do the corporations (particularly those classified as foreign) fit the oft-cited example of the large conglomerate with no previous business interests in agriculture, buying land and beginning to produce agricultural commodities? To examine this question, the domestic and foreign firms were classified according to primary income source. The results are presented in Table 24. The percentage distributions indicate that the large majority of all farm corporations were engaged primarily or solely in agricultural activities. Further, when the distribution for foreign and domestic corporations are compared, fewer foreign firms listed agriculture as their sole or primary activity than domestic firms. However, even with foreign firms, more than one-half are dependent upon agriculture as their main source of income. This proportion is considerably lower than the 81.8 percent reported by domestic corporations, however. Thirty-six (25.9 percent) of the foreign corporations reported that their principal activity was agri-business, i.e., sales of farm inputs (feed, seed, fertilizer, machinery), purchase and/or processing of agricultural products. Many of these firms are engaged in the processing of vegetables, fruits or cranberries. Hence, these firms do not fit the popular conception of conglomerate activity in Wisconsin's agriculture.

[11]This classification scheme overstates the number of legitimate foreign firms in that the corporation whose primary business interest is within Wisconsin, yet does some business out of state, is classified as a foreign operation. This type of firm does not represent the situation of an outside investor moving into the state as intended with the classification scheme adopted. This problem would appear to be especially acute for those corporations located along the state's borders. Among the 139 corporations classified as foreign operations, 34 or 24.5 percent reported that their major business activity occurred within Wisconsin but along one of its border counties.

TABLE 23

DISTRIBUTION OF 558 INCORPORATED WISCONSIN FARMS BY YEAR OF INCORPORATION AND CLASSIFIED ACCORDING TO ITS STATUS AS DOMESTIC OR FOREIGN, WISCONSIN, 1968.[1]

Type	YEAR OF INCORPORATION				TOTAL
	Before 1950	1950-1959	1960-1964	1965-1968	
	Number of Farms				
Domestic	68	86	119	129	402
Foreign	47	25	40	27	139
Unclassified	11	2	1	3	17
TOTAL	126	113	160	159	558
	Percent of Farms				
Domestic	54.0	76.1	74.4	81.1	72.0
Foreign	37.3	22.1	25.0	17.0	24.9

[1]Domestic corporations are those operations that reported no business activities of either an agricultural or non-agricultural nature outside of Wisconsin. Foreign corporations were those reporting business activities in at least one state other than Wisconsin.

TABLE 24

THE PERCENTAGE DISTRIBUTION OF 558 DOMESTIC AND FOREIGN INCORPORATED FARMS ACCORDING TO PRIMARY SOURCE OF INCOME, WISCONSIN, 1968.

Primary Source of Income	Foreign Corporations	Domestic Corporations	Unclassified	All Corporations
	Percent of Farms			
Agriculture Only	42.5	74.1	70.6	66.1
Primarily Agriculture	11.5	7.7	5.9	8.6
Agri-Business	25.9	6.2	11.7	11.3
Non-Agricultural	19.4	10.5	5.9	12.6
Other or Unknown	.7	1.5	5.9	1.4
TOTAL	100.0	100.0	100.0	100.0

The 12.6 percent of the corporations classified as non-agricultural in Table 24 are probably the ones which are cited as examples of the entry into agriculture of non-agriculturally related enterprises. The numbers illustrate that this change is substantially overemphasized. Within the 70 firms, seven corporations stated their primary activity was real estate. The real estate operations probably should not even be classified as incorporated agricultural firms since most of them listed little, if any, sales of farm products. This would reduce the number of firms of the conglomerate type to 63, of which more than one-half were classified as domestic firms. This is, in total, 63 farms among the more than 100,000 Wisconsin farm firms.

The vast majority of incorporated agricultural firms are engaged primarily in the production of food and fiber. There is some indication that a few firms are integrating vertically into agriculture. These are the 63 firms classified under agri-business in Table 24. However, this is a relatively small proportion of the total incorporated farm firms. Further, if one examines the size of these corporations as measured by number of stockholders, or acres owned or operated, the data indicate they are smaller than the average corporate farm.

Table 25 provides some comparisons among the domestic and foreign corporations when classified according to their primary business activity. First, the less closely related to agriculture the major business activity of the corporation, the larger the number of states in which it carries on its economic activities. Those corporations dependent solely or primarily upon the production of food or fiber for their income operated in seven other states, the agri-business firms in 14 other states and the non-agricultural firms in 15 states. Secondly, among the foreign corporations, the non-agricultural group oper-

ated substantially fewer crop acres than either of the other two foreign groups. The non-agricultural firms reported 473 crop acres and 634 total acres operated in Wisconsin in contrast to over 1,800 crop acres and acres operated for the agri-business firms and over 1,000 crop acres and acres operated for the agricultural firms.

Generally the domestic firms are smaller than their foreign counterparts. The same type of conclusions hold for those firms operating only within Wisconsin (Domestic Corporations).

The agri-business firms own and operate the largest farms while the non-agricultural corporations the smallest. Furthermore, if one examines the agricultural activities of each group, the non-agricultural firms can generally be classified as general farms producing corn, oats, beef, and hogs. There were very few dairy farms in this group and only three specialized farms in poultry, eggs, canning crops and vegetables. The agri-business corporate farms are generally the most highly specialized and the largest farms producing canning crops and vegetables. Most potato acreage is found on those foreign farms whose primary business activity is agriculture. The cranberry acreage and dairy farms occur in the group classified as Domestic Agricultural firms.

In summary, the group of most concern to agricultural leaders and farmers i.e., the foreign non-agricultural firms, were much smaller than any other group. Concern over the 69 firms in these two groups is not supported by the data. The big corporate farms are in the group reporting an agri-business activity as their primary economic activity. Although they tend to own less land in Wisconsin than the other groups, they rent very substantial acreages from others making them by far the largest incorporated farms.

TABLE 25

AVERAGES OF SELECTED CORPORATION FARM CHARACTERISTICS ACCORDING TO THE TYPE OF CORPORATION AND PRIMARY BUSINESS ACTIVITY, 558 WISCONSIN FARM CORPORATIONS, 1968.

Characteristic	Primary Business Activity		
	Agriculture	Agri-Business	Non-Agricultural
	Average per Farm Reporting		
Foreign Corporations			
1. Number of corporations	75.0	36.0	27.0
2. Average number of states in which operated	7.0	14.0	15.0
3. Average number of individual stockholders	4.2	6.3	5.3
4. Average acres owned in Wisconsin	747.0	574.0	656.0
5. Average crop acres in Wisconsin	1,067.0	1,812.0	473.0
6. Average total acres operated in Wisconsin	1,202.0	1,844.0	634.0
Domestic Corporations			
1. Number of corporations	329.0	25.0	42.0
2. Average number of states in which operated	0	0	0
3. Average number of individual stockholders	4.3	5.2	5.0
4. Average acres owned in Wisconsin	695.0	287.0	410.0
5. Average crop acres in Wisconsin	451.0	1,390.0	239.0
6. Average total acres operated in Wisconsin	781.0	1,393.0	419.0

Size of Farm and Year Incorporated

Some hypotheses state that invasion is taking place from the emergence of large farms only recently incorporated. Evidence supporting this would show that the large corporations currently operating in Wisconsin were the more recently incorporated farms.

This survey's data, summarized in Table 26, suggests the opposite. Those corporations with 1968 gross farm incomes in excess of $500 thousand tend to have been incorporated longer than the smaller sales corporations. Fourteen of the 29 farms in this gross sales category were incorporated before 1925, 19 before 1960, and only three (10.4 percent) since 1965. These figures indicate that the large corporate farms in Wisconsin are not new ventures, but grew over the years under a corporate arrangement. Generally, this reflects the agricultural operations of canners.

The opposite is true for the smaller corporations: a greater proportion have been incorporated recently. For example, 59.1 percent of the farms with gross farm sales between $100,000 and $499,999 have incorporated since 1960. This proportion was 65 percent for the $40,000-$99,999 and 54 percent for the less than $40,000 sales categories.

from slightly over 21 percent of all farms incorporated between 1950-64 to 32.7 percent for the 1965-68 period. The increase came at the expense of the family-controlled corporations, which dropped from over 74 percent to 62 percent of all farms incorporated for the same two periods.

It is less obvious, however, that those corporations controlled by other firms or whose stock is publicly traded comprise an increasing proportion of the farms incorporated in the more recent years. The proportion of farms incorporating during the 1960's in this ownership category was 4.4 percent, up from the 1.8 percent that incorporated during the 1950's. However, 12.7 percent of the farms that incorporated prior to 1950 were owned by other firms and one-half of the operations (16 of the 32) in this category were corporations before 1950. Consequently, the recent rates of incorporation by these firms (4.4 percent during the 1960's) is less than their percentage incidence in the corporate farm population (5.7 percent). Such figures do not indicate a recent large influx of conglomerate-type corporate farms into Wisconsin's agriculture.

TABLE 26

PERCENTAGE DISTRIBUTION OF 558 WISCONSIN INCORPORATED FARMS BY YEAR OF INCORPORATION AND SIZE OF 1968 GROSS FARM INCOME, 1968.

1968 Gross Farm Income	YEAR				
	Before 1950	1950 to 1959	1960 to 1964	1965 to 1968	TOTAL
Unknown	36.4	13.6	18.2	31.8	100.0
Less than $40,000	23.0	23.0	24.0	30.0	100.0
$40,000-$99,999	17.5	17.5	32.8	32.2	100.0
$100,000-$499,999	20.1	20.8	32.9	26.2	100.0
$500,000 or more	48.2	17.3	24.1	10.4	100.0
TOTAL	22.6	20.2	28.7	28.5	100.0

Type of Corporation and Year Incorporated

Another dimension of the corporate entry issue is the concern that proportionately more of the newly incorporated farms are controlled by other firms (conglomerates) and groups of unrelated individuals rather than the family type corporations.

The data in Table 27 shows a mixed picture. Proportionately more of the recently incorporated farms are controlled by unrelated individuals than by family groups. This type of corporation increased

Corporate Farm Reliance Upon Agriculture and Year of Incorporation

A final consideration is the feeling that corporate farms tend to have a lower dependency upon agriculture as a source of income and that this dependence is decreasing over time. Evidence has indicated that, as a group, corporate farms have a high economic dependence upon agriculture. Table 28 shows that approximately three-fourths of the corporate farms depended either solely or primarily upon agriculture (production of food and fiber) for their source of income.

TABLE 27

PERCENTAGE DISTRIBUTION OF 558 INCORPORATED WISCONSIN FARMS ACCORDING TO MAJORITY SHAREHOLDER AND YEAR OF INCORPORATION, 1968.

	YEAR INCORPORATED				
Majority Shareholder	Before 1950	1950 to 1959	1960 to 1964	1965 to 1968	TOTAL
	Percent of Farms				
Closed Individual	61.1	75.2	73.8	61.6	67.7
Open Individual	22.2	22.1	21.2	32.7	24.9
Mixed	12.7	1.8	4.4	4.4	5.7
Unclassified	4.0	.9	.6	1.3	1.7
TOTAL	100.0	100.0	100.0	100.0	100.0

TABLE 28

PERCENTAGE DISTRIBUTION OF 558 INCORPORATED WISCONSIN FARMS ACCORDING TO MAJOR SOURCE OF INCOME AND YEAR OF INCORPORATION, 1968.

	YEAR INCORPORATED				
Major Source of Income	Before 1955	1955 to 1959	1960 to 1964	1965 to 1968	TOTAL
	Percent of Farms				
Agriculture	57.4	68.7	83.4	81.0	74.7
Agri-Business	26.1	12.6	6.4	3.4	11.3
Non-Agricultural	15.7	17.5	8.3	13.9	12.6
Unclassified	.8	1.2	1.9	1.7	1.4
TOTAL	100.0	100.0	100.0	100.0	100.0

The evidence in the table also contradicts the second aspect of this hypothesis. Dependency upon agriculture is not decreasing over time. For those farms that incorporated prior to 1955, 57.4 percent reported that in 1968 their sole or principal source of income was production of food and fiber. This proportion increased to 68.7 percent during the last half of the 1950's, and was over 80 percent during the past decade. These findings are strengthened by comparing the year each farm incorporated with the year agricultural activities were initially undertaken. The dates of incorporation and first agricultural production differed by one year or more for only 45 out of the 558 farms, indicating that most corporations have been in agriculture since the time of incorporation.[12]

The proportion of farms incorporating over time whose principal 1968 income source was agri-business has fallen. The evidence in this regard for firms depending upon non-agricultural activities is mixed, with some indication of an increasing dependence upon these non-agricultural activities during the last half of the past decade—but less than in earlier years.

In summary, the validity of the conglomerate entry hypothesis depends upon the particular aspect of invasion in question. Those who argue that the entry is taking place because of an increased rate of farm incorporations, or by the recent appearance of proportionately more non-family-controlled corporations, find some support for their position in the data. However, those who claim a large influx of non-agriculturally oriented firms, of newly incorporated large farms, or of foreign-based operations into Wisconsin agriculture will find no support in the data.

[12]This data also provides [illegible] corporations are vertically integrating into agriculture in Wisconsin.

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